

DONALD SMITH & CO., INC.
DOMESTIC EQUITY: RUSSELL 3000 BENCHMARK

FOR THE MONTH OF: **AUGUST** **2006**

MANAGER PERFORMANCE CALCULATIONS

* Annualized returns

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Donald Smith & Co.	4.84%	8.93%	24.17%	n/a	n/a
Russell 3000	2.45%	2.53%	8.75%	n/a	n/a

PORTFOLIO ATTRIBUTES

<u>Characteristics</u>	<u>DSCO</u>	<u>RU 3000</u>	<u>Sector Analysis</u>		
			<u>Over-weight</u>	<u>DSCO</u>	<u>RU 3000</u>
Mkt Value (\$m)	218.64	N/A	Financial Serv	21.00%	23.20%
Wtd Cap (\$b)	4.61	76.56	Autos/Transpc	22.30%	2.40%
P/E	10.74	14.80	Utilities	13.50%	7.40%
Beta	1.15	0.99			
Yield (%)	1.10	1.77			
Earnings Growth			<u>Under-weight</u>	<u>DSCO</u>	<u>RU 3000</u>
			Healthcare	0.00%	12.70%
			Technology	15.70%	12.60%
			Consumer Sta]	0.00%	7.00%

PERFORMANCE ATTRIBUTION & STRATEGY COMMENTS

The account outperformed substantially the Russell 3000 in the month of August. Spansion rose 23%, benefiting from the rebound in semiconductor stocks. Visteon rose 20% on takeover rumors, while Unum (+16.8%) and Air France (+11.4%) both reported better-than-expected earnings. General Motors (-9.5%) and Tech Data (-6.2%) were the only two decliners in the month.

Positions were increased on weakness in two technology companies -- Solectron and Spansion. There were no sales in the month.

The portfolio sells at only 114% of tangible book value and 31% of revenues. The substantial outperformance this year has been achieved without the benefit of the strong performing energy sector. We continue with large overweightings in autos, airlines, insurance, technology and utilities. Most of these sectors would be beneficiaries of declining oil prices.

MANAGER STYLE SUMMARY

Donald Smith & Co manages an all-cap portfolio, employing a bottom-up, deep value investment strategy. They invest in stocks with low P/B ratios and which are undervalued given their long-term earnings potential. Consequently, the portfolio will consist of securities with higher dividend yield and lower P/B and P/E ratios relative to the market. This is a concentrated portfolio, consisting of approximately 15-35 issues, and as a result, may experience more volatility than the market.

DONALD SMITH & Co., INC.
DOMESTIC EQUITY: RUSSELL 3000 BENCHMARK

PORTFOLIO GUIDELINE COMPLIANCE

AUGUST

2006

Portfolio Guideline:	DSCO	RU 3000	Calc	Min	Max	Compliance
B2. Security Market Cap (in \$m) > \$100 m @ purchase						ok
B3. Security Positions <= 15% @ purchase						ok
B4. Number of issues	17			15	35	ok
B5. Portfolio Characteristics						
P/B	1.14	2.69	42%	30%	100%	ok
P/E (1 Year Forward)	10.74	14.80	73%	50%	100%	ok
Dividend Yield	1.10	1.77	62%	50%	150%	ok
Beta	1.15	0.99	116%	70%	130%	ok
F2. Commissions not to exceed \$0.05/share; explanation required for commissions >\$0.07/share						ok
F3. Annual Turnover	47%			20%	40%	check
The portfolio is in compliance with all other aspects of the Portfolio Guidelines					<input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

MANAGER EXPLANATIONS FOR DEVIATIONS FROM PORTFOLIO GUIDELINES

F3. Annual Turnover: In 1Q06, we had taken advantage of the strong market rally by selling off some of the stronger performers. With the downturn in 2Q06, new positions were initiated in a handful of names at attractive prices.

ORGANIZATIONAL/PERSONNEL CHANGES

ACCOUNT TURNOVER

Gained:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
Lost:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
	Reason(s):	N/A			